LEYSHON RESOURCES LIMITED

ABN 75 010 482 274

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2011

CORPORATE DIRECTORY

Directors
John Fletcher – Non-Executive Chairman
Paul Atherley – Managing Director
Richard Seville – Non-Executive Director
Andrew Berry III – Non-Executive Director

Company Secretary
Stacey Apostolou

Principal and Registered Offices

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Auditor
Deloitte Touche Tohmatsu

Bankers
Bank of China - Beijing
National Australia Bank

Share Register

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2nd Floor, Vintners Place
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United Kingdom

Australia
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Solicitors
Jun He Law Offices - Beijing
Hardy Bowen Solicitors - Perth

Stock Exchange Listings
Alternative Investment Market
London Stock Exchange
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London EC4M 7LS

Australian Stock Exchange
Home Branch – Perth
2 The Esplanade
Perth WA 6000

AIM and ASX Code
LRL

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DIRECTORS' REPORT

The Directors of Leyshon Resources Limited present their report on the Consolidated Entity consisting of Leyshon Resources Limited ("the Company" or "Leyshon Resources") and the entities it controlled at the end of, or during, the financial year ended 30 June 2011 ("Consolidated Entity").

DIRECTORS

The following persons were Directors of the Company during the financial year and up to the date of this report:

John W S Fletcher
Paul C Atherley
Richard P Seville
Andrew Berry III

INFORMATION ON DIRECTORS

John WS Fletcher CBE
Non-Executive Chairman from date of appointment 7 April 2006
Member of the Audit Committee and Chairman of the Remuneration Committee

Mr Fletcher served as an Executive and main Board Director of the Trafalgar Group ("Trafalgar") for more than 20 years, which at the time was one of the UK's largest industrial groups. Following the acquisition of Trafalgar by Kvaerner ASA ("Kvaerner"), he became Chairman and President of Kvaerner's engineering and construction worldwide operations.

In 1996, he was awarded the title of CBE (Commander of the British Empire) for his contribution to British industry. He was a member of the international advisory team to the Beijing Mayor in 1998 and later held the position of Executive Vice Chairman of the Construction Supervision Committee for the National Stadium for the Beijing 2008 Olympics.

Mr Fletcher is based in Hong Kong and is a director and shareholder of Somerley Group Limited ("Somerley"), the holding company for Somerley Limited (a specialist financial services company which has been operating for more than 25 years with a Beijing Representative Office), Somerley China Associates Limited, Somerley Asset Management Limited, Somerley Singapore Pte Limited, Somerley Investment Consulting (Shanghai) Limited and Somerley Australia Limited. Somerley also own 40% of Sydney based financial advisory firm Inteq Limited in which Mr Fletcher is a Somerley Director. Somerley advises both Chinese and international groups from its Hong Kong, Beijing, Shanghai, Sydney and Perth offices on access to capital via the Hong Kong Stock Exchange and via foreign direct investment. Mr Fletcher continues to maintain his well-established industry, government and financial connections in London.

Mr Fletcher also sits on the Advisory Board of Ambienta SGR S.p.A a fund management company focusing on the environment based in Italy as well as Luxottica China Advisory Board.

During the three year period to the end of the financial year, Mr Fletcher has not held a directorship in any other listed company.

Paul C Atherley
Managing Director from date of appointment 4 May 2004
Qualifications - BSc (Hons), MappSC, MBA, MAusIMM, ARSM

Mr Atherley graduated in mining engineering from the Royal School of Mines, Imperial College in 1982 and has over 25 years industry operating experience including periods with British Coal in the UK and Mount Isa Mines Ltd in Australia. He was an Executive Director of the Investment Bank arm of HSBC Australia where he undertook a range of advisory roles in the resources sector. In August 2004 he retired from the position of Managing Director of an ASX and AIM listed mining company, a position he held since the company's flotation in 1994. During this period he completed a number of acquisitions and financings of resource projects in Australia, South-East Asia, Africa and Western Europe.

During the three year period to the end of the financial year, Mr Atherley has not held a directorship in any other listed company.

INFORMATION ON DIRECTORS (Cont'd)

Richard Seville
Non-Executive Director from date of appointment 1 February 2007
Member of the Audit Committee and Remuneration Committee
Qualifications – BSC (Hon), MEngSc, MAusIMM, MAICD, ARSM

Mr Seville is a mining geologist and geotechnical engineer with 25 years experience covering exploration, mine development and mine operations in gold, base metals and coal projects in Australia, Africa and Asia. Mr Seville also has significant corporate experience and held the roles of operations director and/or managing director for ASX/AIM listed companies since 1994.

During the three year period to the end of the financial year, Mr Seville has held a directorship in Orocobre Limited (November 2007 – present)

Andrew Berry III
Non-Executive Director from date of appointment 10 October 2008
Chairman of the Audit Committee
Qualifications – BS Geological Engineering and MBA

Mr Berry has over 35 years experience in financing projects mainly with Chase Manhattan Bank in the Far East and Australia. During this period Mr Berry played an integral role in the completion of over US$25 billion in transactions for power generation, mining and petroleum companies in Australia and throughout the international arena.

He is currently a Non-Executive Director of the unlisted Corporative Fund Limited. Previously Mr Berry was a Non-Executive Director of several listed and unlisted Australian resource focused companies including the ASX and Port Moresby Stock Exchange listed Highlands Pacific Limited. Mr Berry is a citizen of the United States and Australia.

During the three year period to the end of the financial year, Mr Berry has held directorships in CorporActive Fund Limited (September 2007 - Present) and Viridis Investment Management Limited (July 2005 – February 2011).

Company Secretary

Stacey Apostolou
Company Secretary from date of appointment 7 April 2006
Qualifications - B Bus, CPA

Ms Apostolou has been employed with the Company since August 2005. She has previously acted as Finance Director to the Company and another ASX/AIM listed company, has held company secretarial roles for publicly listed companies within the mining and exploration industry and has over 20 years relevant industry experience. Ms Apostolou has been responsible for the corporate, treasury, finance, accounting and administration functions for these companies.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year consisted of gold and other minerals exploration. There was no significant change in the nature of those activities during the financial year.

CONSOLIDATED RESULTS

	2011 $	2010 $
(Loss)/profit of the Consolidated Entity before income tax	**(531,637)**	**26,655,096**
Income tax	**(248,347)**	**(158,261)**
Net (loss)/profit attributable to members of Leyshon Resources Limited	**(779,984)**	**26,496,835**

Note: The 2010 profit result included a gain of $28,444,559 on the disposal of the Consolidated Entity's 70% interest in the Sino Foreign Joint Venture company Black Dragon Mining Company Limited (Black Dragon), which owned the Zheng Guang Gold Project.

REVIEW OF OPERATIONS

During the 2011 financial year, the Company has been reviewing and undertaking due diligence on a number of investment opportunities, some of which have the potential to meet the Company's investment criteria.

Business Strategies and Prospects

With the support of its shareholders, the Company has adopted an investing policy that aims to capitalise on its extensive experience in China. The policy focuses on acquiring and developing mineral and energy projects in those commodities and located in those countries which it believes will be of interest to Chinese mining and other groups for either offtake, partnership or sale.

The Company continues to review, and in some cases carry out due diligence, on a number of possible projects both internationally and within China. As previously advised, the Company has completed a preliminary technical and legal due diligence review on a PRC entity that holds an exploration licence over a thermal coal project in the Western Chinese province of Xinjiang and is currently reviewing a number of copper and gold projects in China and Australia.

DIVIDENDS

No interim or final dividend has been declared in respect to the financial year ended 30 June 2011 (2010: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2011 financial year, the Company successfully completed its readmission to AIM and as part of the readmission placed 30,435,130 new fully paid ordinary shares at A$0.23, raising approximately A$7.0 million before costs.

The Company has also achieved Wholly Owned Foreign Investor (WOFE) status for it's activities and investments in China. This is an important step as it allows the Company to make investments and undertake its business activities in China within a regulatory framework that is much closer to that governing local companies than was previously the case.

In January 2011 the Company announced that it has created and appointed four members to a Beijing based Advisory Board to provide guidance in relation to the Company's investments in China. The Advisory Board members will provide specific advice in relation to investments within China, provide introductions to relevant government bodies and where appropriate represent the Company at various levels of government. The appointees are all senior officials who have held positions in the Ministry of Lands and Resources.

During the year the Company announced the completion of its share buyback programme which was undertaken during the previous year. In total the Company purchased 2,165,098 shares at an average of A$0.174 cents and 10.8 pence per share. All share purchases under the buyback programme were carried out during the 2010 financial year.

SUBSEQUENT EVENTS

As at the date of this report there are no matters or circumstances which have arisen since 30 June 2011 that have significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2011, of the Consolidated Entity constituted by Leyshon Resources Limited and the entities it controls from time to time;
b) the results of those operations; or
c) the state of affairs, in financial years subsequent to 30 June 2011, of the Consolidated Entity.

LIKELY DEVELOPMENTS

The Company continues to receive investment proposals from many locations around the world and it actively considers each one in light of its competitive advantage of being able to access the Chinese end user market.

The Company remains diligent in its assessment of assets at all times and is therefore prepared to commit significant expenditure on due diligence and other studies before committing to a transaction. The Company can give no assurance that these due diligence investigations and/or discussions will successfully conclude in an acquisition.

In the opinion of the Directors, any further disclosure of information regarding likely developments in the operations of the Consolidated Entity and the expected results of these operations in subsequent financial years may prejudice the interests of the Consolidated Entity and accordingly, has not been disclosed.

ENVIRONMENTAL REGULATIONS

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

Pursuant to an agreement between the Company and Newmont Australia Limited ("Newmont"), Newmont is responsible for all environmental obligations in respect of the Mt Leyshon leases in perpetuity regardless of changes to those obligations arising from changes to regulatory requirements and has indemnified the Company to that effect.

SHARES

During the year, the Company:

- issued 30,435,130 fully paid ordinary shares at A$0.23 as part of its readmission process to the Alternative Investment Market.

OPTIONS

During the year the following options lapsed in accordance with their terms:

- on 30 November 2010, 4,000,000 unlisted options at an exercise price of $0.70 each lapsed in accordance with their terms and conditions; and
- on 30 June 2011, 750,000 unlisted options at an exercise price of $0.70 each lapsed in accordance with their terms and conditions.

There were no unissued ordinary shares of Leyshon Resources under option at the date of this report.

During the financial year no shares were issued as a result of the exercise of options. Since 30 June 2011 and up to the date of this report, no shares have been issued as a result of the exercise of options.

INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or an auditor.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the financial year ended 30 June 2011, and the number of meetings attended by each director.

	Board Meetings		**Audit Committee Meetings**		**Remuneration Committee Meetings**	
	Held	Attended	Held	Attended	Held	Attended
Directors						
John WS Fletcher	7	7	2	2	0	0
Paul C Atherley	7	7	N/A	N/A	N/A	N/A
Richard Seville	7	7	2	2	0	0
Andrew Berry III	7	7	2	2	N/A	N/A

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF LEYSHON RESOURCES

	Interest in Securities at the date of this Report	
	Ordinary Shares	**Options**
John WS Fletcher	2,316,324	-
Paul C Atherley	29,530,000	-
Richard Seville	750,000	-
Andrew Berry III	-	-

REMUNERATION REPORT (AUDITED)

This remuneration report which forms part of the directors' report, sets out information about the remuneration of Leyshon Resources Limited's directors and its senior management for the financial year ended 30 June 2011. The prescribed details for each person covered by this report are detailed below.

Director and Senior Management Details

The following persons acted as directors of Leyshon Resources Limited during or since the end of the financial year:

- John WS Fletcher *(Chairman)*
- Paul C Atherley *(Managing Director)*
- Richard P Seville *(Non Executive Director)*
- Andrew J Berry III *(Non Executive Director)*

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Peter Niu - *Financial Controller, Leyshon Resources Limited*
- Stacey Apostolou – *Company Secretary*
- Henry Tebar – *Exploration Manager*

There were no other group executives or Company executives during the year.

Remuneration policies

Executive remuneration

The Company's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to the Company. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. Executives receive a base remuneration which is market related, together with an element of performance based remuneration.

Overall remuneration policies are subject to the discretion of the Board and will be adapted to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so. Within this framework, the remuneration committee (established 9 May 2007) considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior executive management.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance, relevant comparative information and expert advice.

The objective of any short term incentives is to link achievement of the Company's operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

The committee's remuneration policies are designed to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policies are that:

- Reward reflects the competitive market in which the Company operates;
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

REMUNERATION REPORT (Cont'd)

The structure of remuneration packages for executive directors and other senior executive management consists of the following:

- Salary – executive directors and senior executives receive a fixed sum base salary payable monthly in cash;
- Short term incentives – through eligibility to participate in performance bonus plans;
- Long term incentives – executive directors are eligible to participate in share option schemes with the prior approval of shareholders. Senior management may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue shares or options to senior management outside of approved employee option plans and in the event that no employee option plan exists; and
- Other benefits - executive directors and senior management, where applicable, are eligible to participate in superannuation schemes.

Non-executive directors' remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior management is separate and distinct. Shareholders approve the maximum aggregate remuneration for non-executive directors. The remuneration committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, as appropriate. The maximum aggregate remuneration approved for non-executive directors is currently $250,000 which does not include any share based payments. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors are entitled to statutory superannuation benefits if applicable. At the current stage of the Company's development, non-executive directors may also be entitled to participate in equity based remuneration schemes.

All directors are entitled to have their indemnity insurance paid by the Company.

Relationship between the remuneration policy and Company performance

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to June 2011:

	30 June 2011 $	**30 June 2010 $**	**30 June 2009 $**	**30 June 2008 $**	**30 June 2007 $**
Revenue	3,011,462	29,913,031	518,802	1,048,631	628,530
Net (loss)/profit before tax	(531,637)	26,655,096	(3,397,827)	(10,411,177)	(10,081,813)
Net (loss)/profit after tax	(779,984)	26,496,835	(3,397,827)	(10,411,177)	(10,081,813)
Share price at start of year	0.200	0.100	0.500	0.625	0.315
Share price at end of year	0.250	0.200	0.100	0.500	0.625
Dividend paid	-	-	-	-	-
Diluted (loss)/profit per share (cents)	(0.3)	12.2	(1.6)	(4.8)	(5.8)

There is currently no direct link in the relationship between the remuneration for key management personnel and the Company's financial performance, however, this position may change and be reassessed in the future if an acquisition is undertaken.

REMUNERATION REPORT (Cont'd)

Service Agreements

Non Executive Directors

Mr Fletcher

The Company has entered into a service agreement with Mr Fletcher whereby he is paid a fee of $66,000 per annum in his capacity as Chairman with effect from 1 January 2009 ($90,000 prior to 1 January 2009). Mr Fletcher is entitled to receive reimbursement for out of pocket expenses incurred whilst on Company business. The agreement is for no fixed term, does not provide for the payment of termination benefits and may be terminated by either party by providing 90 days written notice.

Mr Seville

The Company has entered into a service agreement with Mr Seville whereby he is paid a fee of $45,000 per annum including superannuation in his capacity as Non-Executive Director with effect from 1 January 2009 ($50,000 prior to 1 January 2009). Mr Seville is entitled to receive reimbursement for out of pocket expenses incurred whilst on Company business. The agreement is for no fixed term, does not provide for the payment of termination benefits and may be terminated by either party by providing 90 days written notice.

In addition, the Company has entered into a consultancy arrangement with Richard Seville & Associates Pty Ltd in relation to the provision of technical services by Mr Seville at the rate of $1,600 per day. The consultancy agreement can be terminated by either party providing three months written notice.

Mr Berry

The Company has entered into a service agreement with Mr Berry whereby he is paid a fee of $45,000 per annum including superannuation in his capacity as Non-Executive Director with effect from 1 January 2009 ($50,000 prior to 1 January 2009). Mr Berry is entitled to receive reimbursement for out of pocket expenses incurred whilst on Company business. The agreement is for no fixed term, does not provide for the payment of termination benefits and may be terminated by either party by providing 90 days written notice.

Executive Director

Mr Atherley

The service agreement in place with Mr Atherley during the financial year contains the following key provisions:

- Entered into with effect from 1 July 2006 for a rolling twelve month term as Managing Director;
- May be terminated by the Company by providing no more than three months notice;
- May be terminated by Mr Atherley by providing at least six months notice;
- If Mr Atherley is removed as a director of the Company by shareholders, or as the managing director of the Company, then the Company will be deemed to have terminated the contract;
- Base salary of $300,000 per annum with effect from 1 September 2008 ($450,000 prior to 1 September 2008);
- An expatriate allowance of $75,000 per annum with effect from 1 January 2010;
- A discretionary cash bonus of up to $500,000 per annum is payable based on, in the Board's view, the contribution of Mr Atherley towards the Company's achievement of its overall objectives. There was no cash bonus granted during 2011 (2010: $250,000);
- No amount is payable in the event of termination for neglect of duty or gross misconduct; and

- If Mr Atherley's contract is terminated, other than for neglect of duty or gross misconduct, then the Company shall pay to Mr Atherley a Termination Payment. The Termination Payment shall be the aggregate of the contract rate that would be payable for the period commencing when the contract terminates and ending at the end of the contract term. In the event that the Termination Payment exceeds the amount calculated in accordance with section 200F of the Corporations Act or Chapter 10.19 of the ASX Listing Rules, then the Termination Payment will be reduced by such amount as is necessary so as to not exceed the amount permitted.

Senior Management

Mr Niu

The service agreement in place with Mr Niu during the financial year contains the following key provisions:

- Entered into with effect from 17 March 2008 for no defined period;
- May be terminated by the Company or Mr Niu by providing three months notice. No payment, other than for notice, is payable upon termination;
- Base salary of RMB1,200,000 per annum;
- An expatriate allowance of $75,000 per annum with effect from 1 January 2010
- May become entitled to receive incentive options in the Company at a price to be determined by the Board at the time of issue; and
- May become entitled to receive a cash bonus of up to 100% of his base salary at the discretion of the Board. There was no cash bonus granted during 2011 (2010: $200,000).

Ms Apostolou

The consultancy arrangement in place during the financial year with Apostman Holdings Pty Ltd in relation to the provision of company secretarial and corporate services by Ms Apostolou, contains the following key provisions:

- Entered into with effect from 10 October 2008 for no defined period;
- May be terminated by the Company by providing three months notice or by Ms Apostolou by providing one month notice. No payment, other than for notice, is payable upon termination;
- Consultancy fee of $8,000 per month ($12,500 per month prior to 1 January 2011);
- May become entitled to receive incentive options in the Company at a price to be determined by the Board at the time of issue; and
- May become entitled to receive a cash bonus at the discretion of the Board. There was no cash bonus granted during 2011 (2010: $75,000).

Mr Tebar

The service agreement in place with Mr Tebar during the financial year contains the following key provisions:

- Entered into with effect from 16 November 2009 for no defined period;
- May be terminated by the Company or Mr Tebar by providing one month notice. Payment of two months remuneration is payable upon termination;
- Base salary of $150,000 per annum;
- Rental accommodation to be supplied:
- May become entitled to receive incentive options in the Company at a price to be determined by the Board at the time of issue; and
- May become entitled to receive a cash bonus of up to 50% of his base salary at the discretion of the Board. No cash bonus was granted during 2011 (2010: Nil).

REMUNERATION REPORT (Cont'd)

Details of Remuneration

The emoluments (paid or payable) of each Director and the executive officers for the financial year ended 30 June 2011 are as follows:

	Short-term employee benefits			Post-employment	Termination Benefits	Share Based Payment	
	Salary & fees	Bonus	Other[1]	Super-annuation		Shares issued	Total
	$	$	$	$	$	$	$
Directors							
John WS Fletcher	66,000	-	-	-	-	-	66,000
Paul C Atherley	300,000	-	75,000	-	-	-	375,000
Richard Seville	41,284	-	-	3,716	-	-	45,000
Andrew Berry III	41,284	-	-	3,716	-	-	45,000
Group executives							
Peter Niu	173,929	-	75,000	-	-	-	248,929
Stacey Apostolou	123,000	-	-	-	-	-	123,000
Henry Tebar	160,163	-	17,780	-	-	-	177,943

(1) Expatriate allowance for Mr Atherley and Mr Niu. Rental accommodation for Mr Tebar.

The emoluments (paid or payable) of each Director and the executive officers for the financial year ended 30 June 2010 are as follows:

	Short-term employee benefits			Post-employment	Termination Benefits	Share Based Payment	
	Salary & fees	Bonus	Other[1]	Super-annuation		Shares issued	Total
	$	$	$	$	$	$	$
Directors							
John WS Fletcher	66,000	-	-	-	-	-	66,000
Paul C Atherley	300,000	250,000	37,500	-	-	-	587,500
Richard Seville	43,142	-	-	1,858	-	-	45,000
Andrew Berry III	41,284	-	-	3,716	-	-	45,000
Group executives							
Peter Niu	214,969	200,000	37,500	-	-	-	452,469
Stacey Apostolou	90,000	75,000	-	-	-	-	165,000
Henry Tebar[2]	100,478	-	-	-	-	-	100,478

(1) Expatriate allowance.
(2) Commenced as Exploration Manager 16 November 2009.

REMUNERATION REPORT (Cont'd)

Share-based Compensation

No options were granted, vested or exercised and 2,000,000 options lapsed in relation to Directors and executive officers during the year. Details of options held by Directors and executive officers during the year are as follows:

	Balance at the start of the year	Granted as remuner-ation	Exercised	Other changes	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2011							
Mr John Fletcher	1,000,000	-	-	(1,000,000)	-	-	-
Mr Richard Seville	1,000,000	-	-	(1,000,000)	-	-	-

Note 1 - All options exercisable at $0.70 each and lapsed on 30 November 2010.

The grant of share options is not directly linked to previously determined performance milestones or hurdles as the current stage of the Group's activities make it difficult to determine effective and appropriate key performance indicators and milestones. No options were forfeited during the year.

There is currently no Board policy in relation to the person granted the option limiting his or her exposure to risk in relation to the securities as the options are issued in addition to their separate remuneration package.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Audit Committee assesses the provision of non-audit services by the auditors to ensure that the auditor independence requirements of the Corporations Act 2001 in relation to the audit are met.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 5 to the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of Leyshon Resources with an Independence Declaration in relation to the audit of the attached Financial Statements. This Independence Declaration is included in this Financial Report at page 14 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

Paul Atherley
Managing Director

Beijing, China
30 September 2011

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Leyshon Resources Limited
Suite 3, Level 3
1292 Hay Street
West Perth WA 6005

30 September 2011

Dear Board Members

Leyshon Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Leyshon Resources Limited.

As lead audit partner for the audit of the financial statements of Leyshon Resources Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the consolidated entity;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Paul Atherley
Managing Director

Beijing, China
30 September 2011

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Year Ended 30 June 2011 $	Year Ended 30 June 2010 $
Continuing operations			
Revenue	2	**3,011,462**	1,468,472
Other income		-	6,230
Exploration expenses		(83,050)	(58,435)
Project evaluation expenses		(1,282,960)	(293,849)
Corporate and administration expenses		(1,539,408)	(2,478,458)
AIM readmission expenses		(399,264)	-
Foreign exchange gains/(losses)		(13,933)	(283,646)
Mt Leyshon holding costs	29(d)	(224,484)	(149,777)
Loss before tax		**(531,637)**	(1,789,463)
Income tax expense	4	(248,347)	(158,261)
Loss for the year from continuing operations		**(779,984)**	(1,947,724)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	3	-	28,444,569
Profit/(Loss) attributable to members of Leyshon Resources Limited		**(779,984)**	26,496,835
Earnings Per Share			
From continuing and discontinued operations			
Basic (cents per share)	17	(0.3)	12.2
Diluted (cents per share)	17	(0.3)	12.2
From continuing operations			
Basic earnings per share (cents per share)	17	(0.3)	(0.9)
Diluted earnings per share (cents per share)	17	(0.3)	(0.9)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Year Ended 30 June 2011 $	Year Ended 30 June 2010 $
(Loss)/profit for the year		(779,984)	26,496,835
Other comprehensive income			
Exchange differences on translating foreign operations			
Exchange differences arising during the year		(24,749)	(876,170)
Reclassification adjustment relating to foreign operations disposed of in the year (Note 3)		-	393,389
Other comprehensive income for the year net of tax		(24,749)	(482,781)
Total comprehensive income attributable to members of Leyshon Resources Limited		**(804,733)**	26,014,054

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	30 June 2011 $	30 June 2010 $
ASSETS			
Current Assets			
Cash and bank balances	25(a)	52,901,790	46,193,725
Trade and other receivables	6	743,088	1,145,616
Other assets	7	8,923	13,260
Total Current Assets		**53,653,801**	47,352,601
Non-Current Assets			
Other financial assets at fair value through profit and loss	8	1	1
Other financial assets	9	14,999	14,999
Property, plant and equipment	10	29,177	28,938
Total Non-Current Assets		**44,177**	43,938
TOTAL ASSETS		**53,697,978**	47,396,539
LIABILITIES			
Current Liabilities			
Trade and other payables	12	183,873	158,455
Current tax liabilities	4	313,589	158,261
Provisions	13	62,890	64,112
Total Current Liabilities		**560,352**	380,828
TOTAL LIABILITIES		**560,352**	380,828
NET ASSETS		**53,137,626**	47,015,711
EQUITY			
Issued capital	14	71,102,376	64,175,728
Reserves	15	(18,613)	1,379,309
Accumulated losses	16	(17,946,137)	(18,539,326)
TOTAL EQUITY		**53,137,626**	47,015,711

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Year Ended 30 June 2011 $	Year Ended 30 June 2010 $
<u>Issued Capital</u>		
Issued and paid up capital – at the beginning of the year	**64,175,728**	64,552,218
Issue of shares	**7,000,080**	-
Buy back of shares	**-**	(374,284)
Less share transaction costs	**(73,432)**	(2,206)
	6,926,648	(376,490)
Issued and paid up capital – at the end of the year	**71,102,376**	64,175,728
<u>Employee Benefit Reserve</u>		
Balance at the beginning of the year	**1,373,173**	1,941,893
Expiry of options	**(1,373,173)**	(568,720)
Employee benefit reserve at the end of the year	**-**	1,373,173
<u>Foreign Exchange Reserve</u>		
Foreign exchange reserve at the beginning of the year	**6,136**	488,917
Exchange differences arising during the year on translation of foreign operations attributable to members of Leyshon Resources Limited	**(24,749)**	(876,170)
Transfer to Income Statement on sale of foreign operations as stated in Note 3	**-**	393,389
	(24,749)	(482,781)
Foreign exchange reserve at the end of the year	**(18,613)**	6,136
Total reserves at the end of the year	**(18,613)**	1,379,309

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Year Ended 30 June 2011 $	Year Ended 30 June 2010 $
Accumulated Losses		
Accumulated losses at the beginning of the year	**(18,539,326)**	(45,604,881)
(Loss)/profit for the year attributable to members of Leyshon Resources Limited	**(779,984)**	26,496,835
Other comprehensive income	**-**	-
	(779,974)	26,496,835
Transfer from employee benefit reserve	**1,373,173**	568,720
Accumulated losses at the end of the year	**(17,946,137)**	(18,539,326)
Reconciliation of comprehensive income		
(Loss)/profit for the year	**(779,984)**	26,496,835
Other comprehensive income		
Exchange differences on translating foreign operations		
Exchange differences arising during the year	(24,749)	(876,170)
Reclassification adjustment relating to foreign operations disposed of in the year (Note 3)	-	393,389
Total comprehensive income	**(804,733)**	26,014,054

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Year Ended 30 June 2011 $	Year Ended 30 June 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,528,783)	(3,206,459)
Income tax paid		(93,019)	-
Interest received		3,424,497	398,823
Net cash flows used in operating activities		(197,305)	(2,807,636)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(14,032)	(26,461)
Proceeds from sale of interest in jointly controlled entity	3	-	46,039,933
Loans to other entities		-	(50,276)
Development expenditure	3	-	(458,097)
Net cash flows (used in)/provided by investing activities		(14,032)	45,505,099
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,000,080	-
Share issue costs		(73,432)	-
Payment for buy-back of shares		-	(374,284)
Share transaction costs		-	(2,206)
Net cash flows provided by/(used in) investing activities		6,926,648	(376,490)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,715,311	42,320,973
Cash and cash equivalents at the beginning of the year		46,193,725	3,918,963
Effects of exchange rate changes on cash and cash equivalents		(7,246)	(46,211)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		52,901,790	46,193,725

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2011.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Adoption of new and revised Accounting Standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010. The standards adopted are:

- AASB 124 : "Related Party Disclosures"
- AASB 2009-5 : "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project"
- AASB 2009-8 : "Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions"
- AASB 2009-10 : "Amendments to Australian Accounting Standards - Classification of Rights Issues"
- AASB 2010-3 : "Amendments to Australian Accounting Standards arising from the Annual Improvements Project"
- AASB Interpretation 19 : "Extinguishing Liabilities with Equity Instruments"

The adoption of these new and revised Standards and Interpretations has resulted in some disclosure changes being made.

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Standard / Interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9.* AASB 9 introduces new requirements for classifying and measuring.	1 January 2013	30 June 2014
AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from Annual Improvements Project*	1 January 2011	30 June 2012
AASB 2010-5 *Amendments to Australian Accounting Standards*	1 January 2011	30 June 2012
AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*	1 July 2011	30 June 2012
AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'*	1 January 2012	30 June 2013
AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	1 July 2013	30 June 2014
AASB 10 *Consolidated Financial Statements*	1 January 2013	30 June 2014
AASB 11 *Joint Arrangements*	1 January 2013	30 June 2014
AASB 12 *Disclosure of Interests in Other Entities*	1 January 2013	30 June 2014
IFRS 13 *Fair Value Measurement*	1 January 2013	30 June 2014

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, the Directors' are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Going Concern Basis

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 30 June 2011 and the results of all subsidiaries for the year then ended. Leyshon Resources Limited and its subsidiaries together are referred to as the Group or the Consolidated Entity. A list of subsidiaries is provided in Note 21.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)). Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements.

Intercompany transactions and balances, and unrealised gains on transactions between Group companies, are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and statement of financial position respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Interests in Joint Ventures

The Group accounts for its interests in jointly controlled entities with proportionate consolidation. Proportionate consolidation is a method of accounting whereby the Group's share of each of the assets, liabilities, income and expenses of its jointly controlled entities is reported on a line-by-line basis in the consolidated entity's financial statements. The Group considers that proportionate consolidation provides users of the financial report with reliable and relevant information.

(d) Foreign Currency Translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

Where a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Interest is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Income Tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Leyshon Resources Limited and its wholly owned Australian controlled entities have not implemented the tax consolidation legislation.

(g) Operating Leased Assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leased assets, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are not capitalised and rental payments are expensed to the income statement over the lease term on a straight line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's sharebased payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(i) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment where an asset does not generate cash flows that are independent from other assets, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and Cash Equivalents

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(k) Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

(l) Other Financial Assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised costs less impairment.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

(n) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(o) Property, Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated at rates based upon their expected useful lives as follows:

	Life	**Method**
Plant and Equipment	2 - 15 years	Diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, accumulating sick leave and long service leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave not expected to be settled within 12 months is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to the defined contribution superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(r) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at statement of financial position date.

(t) Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the consolidated profit/(loss) attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Exploration and evaluation expenditure

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

(1) the rights to tenure of the area of interest are current; and
(2) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred until it is determined that expenditures are expected to be recouped and an asset is recognised.

(v) Development Expenditure

Development expenditure represents the costs incurred in preparing mines for production. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's mining properties and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Development expenditure is reviewed at each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the development expenditure is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) Share Based Payments

Share based payments may be provided to directors, employees, consultants and other advisors.

For shares issued as payment, the fair value of the shares issued is recognised as an expense with a corresponding increase in equity. The fair value of the shares issued is based on the volume weighted average share price on the ASX for the previous 10 trading days before they are issued.

For share options granted, the following treatment is adopted:

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the holders become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the reserve relating to those options is transferred to share capital.

	Continuing		Discontinued		Total	
2. LOSS FROM OPERATIONS	**2011 $**	**2010 $**	**2011**	**2010**	**2011 $**	**2010 $**
(a) Revenue						
Revenue consisted of the following items:						
Interest received/receivable	3,011,462	1,468,472	-	-	3,011,462	1,468,472
Total revenue	3,011,462	1,468,472	-	-	3,011,462	1,468,472
(b) Loss before income tax						
Loss before income tax has been arrived at after crediting the following gains:						
Sundry income	-	6,230	-	-	-	6,230
Total other income	-	6,230	-	-	-	6,230
Loss before income tax has been arrived at after charging the following losses and expenses:						
Depreciation and amortisation						
- plant and equipment	13,805	13,046	-	-	13,805	13,046
Net movement in provisions for						
- employee entitlements	(1,185)	18,660	-	-	(1,185)	18,660
Exploration expenses	83,050	58,435	-	156,714	83,050	215,149
Mt Leyshon holding costs	224,484	149,777	-	-	224,484	148,777
Project evaluation expenses	1,282,960	293,849	-	-	1,282,960	293,849
Foreign exchange (gain)/loss	13,933	283,646	-	-	13,933	283,646
Rental expense relating to operating leases (minimum lease payments)	111,898	54,327	-	-	111,898	54,327
Equity settled share based payments	-	-	-	-	-	-
Post-employment benefits	8,611	9,540	-	-	8,611	9,540

3. GAIN ON DISPOSAL OF INTEREST IN JOINTLY CONTROLLED ENTITY

On 2 December 2009 the Company disposed of its 70% interest in the Sino Foreign Joint Venture company Black Dragon Mining Company Limited (Black Dragon), which owns the Zheng Guang Gold Project.

	Period from 1 July 2009 to 2 December 2009 $
Exploration loss for the period	(156,714)
Gain on disposal of interest in Black Dragon	28,601,273
	28,444,559

The following were the results for the Consolidated Entity's interest in Black Dragon for the period:

Revenue	-
Operating expenses	(156,714)
Loss before income tax	**(156,714)**
Income tax expense	-
Loss after income tax	**(156,714)**

3. GAIN ON DISPOSAL OF INTEREST IN JOINTLY CONTROLLED ENTITY (Continued)

The following cash flows for the Consolidated Entity's interest in Black Dragon for the period have been included in the Consolidated Entity's Statement of Cash Flows:

	***Period from 1 July 2009 to 2 December 2009 $**
Net cash inflows from operating activities	-
Net cash inflows from investing activities	45,581,836
Net cash inflows from financing activities	-
Net cash inflows	**45,581,836**

The Consolidated Entity's interest in the net assets of Black Dragon at the date of disposal was as follows:

	2 December 2009 $
Book value of net assets sold	
Current assets	
Cash and cash equivalents	5,699
Trade and other receivables	852,471
Non-current assets	
Development properties	23,918,553
Other financial assets	3,560,518
Exchange differences transferred from foreign exchange reserve	393,389
Current liabilities	
Trade and other payables	(872,195)
Non-current liabilities	
Deferred tax liabilities	(3,604,688)
Net assets disposed	24,253,747
Less withholding tax for equity transfer	(3,077,876)
	21,175,871
Gain on disposal	28,601,273
Total consideration	**49,777,144**
Consideration	
Cash and cash equivalents	46,039,933
Liabilities assumed by purchaser	3,737,211
	49,777,144

A gain of $28,444,559 after tax was recognised on the disposal of the Consolidated Entity's interest in Black Dragon. People's Republic of China withholding tax of $3,077,876 was withheld from the sale proceeds. No other tax charge or credit arose on the transaction.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

4. INCOME TAX	2011 $	2010 $
Income tax expense		
Current tax	**248,347**	158,261
Deferred tax	-	-
	248,347	158,261
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(531,637)	(1,789,463)
Tax at the Australian tax rate of 30% (2010: 30%)	(159,491)	(536,839)
Tax effect of amounts which are not deductible in calculating taxable income:		
Other non-deductible expenditure	125,808	325,013
	(33,683)	(211,826)
Tax losses not brought to account	282,030	370,087
Income tax expense	**248,347**	158,261

Current tax and income tax expense relate to assessable income in China Metals Pty Ltd as this entity is not included in the tax consolidated group.

Unrecognised Deferred Tax Balances

The following deferred tax assets have not been brought to account as assets:		
Tax losses – revenue	10,177,658	9,895,628
	10,177,658	9,895,628

Tax Consolidations

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation.

The Board has not yet resolved to consolidate eligible entities within the Consolidated Entity for tax purposes. The Board will review this position annually, before lodging of that year's income tax return.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

5. REMUNERATION OF AUDITORS	2011 $	2010 $
Auditor of the parent entity		
Audit Services		
Fees paid to Deloitte Touche Tohmatsu		
- Audit and review of the financial reports and other audit work	43,250	49,000
Other non-audit services		
- Readmisstion to AIM	35,000	-
- Taxation advice	4,000	15,450
Total remuneration	82,250	64,450

6. TRADE AND OTHER RECEIVABLES

Current		
Amounts relating to:		
- interest receivable	676,730	1,089,765
- other persons	66,358	55,851
	743,088	1,145,616

7. OTHER ASSETS

Current		
Prepayments	8,923	13,260

8. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current		
Shares in other entities	1	1

9. OTHER FINANCIAL ASSETS

Non-current		
Security deposits	14,999	14,999
	14,999	14,999

Each reporting period, the recoverable amount of all non-current assets is assessed. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of the asset has been based on its fair value less costs to sell. The recoverable amount write down represents the excess of the carrying amount over the recoverable amount as determined by the directors.

10. PROPERTY, PLANT AND EQUIPMENT	Note	2011 $	2010 $
Plant & equipment			
At cost		114,710	100,677
Accumulated depreciation		(85,533)	(71,739)
Total plant and equipment (Note 10(a))		29,177	28,938

(a) Reconciliation

Plant and Equipment		
Carrying amount at beginning of year	28,938	2,771
Additions	14,033	26,461
Disposals	-	-
Depreciation expense	(13,794)	(11,346)
Adjustment to Non-Current Assets held for sale [1]	-	11,052
Total plant & equipment	29,177	28,938

[1] The decision was made not to sell the previously identified plant and equipment and therefore the adjustment includes depreciation of $1,700 for the period to 2 December 2009.

11. DEVELOPMENT PROPERTIES

	Note	2011 $	2010 $
Balance brought forward		-	-
Development expenditure incurred		-	3,630,198
Subtotal		-	3,630,198
Transferred to Non-Current Assets held for sale	8	-	(3,630,198)
Closing balance		-	-

Development expenditure in 2010 includes $3,289,484 for liabilities assumed by the purchaser.

12. TRADE AND OTHER PAYABLES

Current		
Trade creditors and accruals (unsecured)	183,873	158,455

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and non-interest bearing with average payment terms of 30 days.

13. PROVISIONS

Employee benefits	62,890	64,112

14. ISSUED CAPITAL	2011 $	2010 $
(a) Issued and paid up capital		
246,525,724 (2010: 216,090,594) fully paid ordinary shares	71,102,376	64,175,728

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) Movements in share capital during the past two years were as follows (Consolidated Entity and Company):-

Date	Details	Ordinary Shares (Number)	Ordinary Shares ($)	Total ($)
1/07/09	**Opening Balance**	**218,255,692**	**64,552,218**	**64,552,218**
21/01/10	Buy-back of shares (i)	(2,165,098)	(374,284)	(374,284)
	Share buy-back costs	-	(2,206)	(2,206)
30/06/10	**Closing Balance**	**216,090,594**	**64,175,728**	**64,175,728**
31/12/10	Placement – AIM readmission (ii)	30,435,130	7,000,080	7,000,080
	Share issue costs	-	(73,432)	(73,432)
30/06/11	**Closing Balance**	**246,525,724**	**71,102,376**	**71,102,376**

Note

(i) On 21 January 2010, the Company cancelled 2,165,098 fully paid ordinary shares that were acquired in an on market share buy-back at an average price of A$0.174 per share.

(ii) On 31 December 2010, the Company placed 30,435,130 new fully paid ordinary shares at A$0.23 as part of its readmission to AIM.

(iii) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

15. RESERVES

	2011 $	2010 $
Employee benefits reserve	-	1,373,173
Foreign currency translation reserve	(18,613)	6,135
	(18,613)	1,379,308

Movement in reserves

The movement in each of the reserves has been set out in the Statement of Changes in Equity**.**

Nature and purpose of reserves

Employee benefits reserve

The employee benefits reserve is used to recognise the fair value of services provided to the Company by employees who are paid through the issue of options in the Company.

Details of the options that comprise the employee benefits reserve are as follows:

Nil (2010: 4,750,000) $0.70 options	-	1,373,173
	-	1,373,173

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve as described in note 1(d). The accumulated exchange difference is recognised in profit and loss when the net investment is disposed of.

16. ACCUMULATED LOSSES

Balance at the beginning of the financial year	(18,539,~~236~~326)	(45,604,881)
Net (loss)/profit attributable to members of Leyshon Resources	(779,984)	26,496,835
Transfer from Employee Benefits Reserve	1,373,173	568,720
Balance at the end of the financial year	(17,946,~~047~~137)	(18,539,~~236~~326)
Adjusted franking account balance (tax paid basis)	~~7,006,783~~6,913,764	6,913,764

17. EARNINGS PER SHARE	2011 $	2010 $
From continuing and discontinued operations		
Basic (loss)/profit per share (cents per share)	(0.3)	12.2
Dilutive (loss)/profit per share (cents per share)	(0.3)	12.2
From continuing operations:		
Basic loss per share (cents per share)	(0.3)	(0.9)
Diluted loss per share (cents per share)	(0.3)	(0.9)

The following reflects the earnings and average number of ordinary shares and potential ordinary shares used in the calculations of basic and diluted earnings per share:

	2011 $	2010 $
Net (loss)/profit used in calculating basic earnings per share	(779,984)	26,496,835
Adjustment to exclude profit from discontinued operations	-	28,444,559
Earnings used in calculating basic and diluted earnings per share from continuing operations	(779,984)	(1,947,724)

	Number of Shares 2011	Number of shares 2010
Weighted average number of ordinary shares used in calculating basic earnings per share	231,183,083	217,306,608
Effect of dilutive securities		
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	231,183,083	217,306,608

(a) Conversions, calls, subscriptions or issues after 30 June 2011

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

(b) Non-dilutive securities

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share from continuing and discontinued operations:

	Number of potential shares 2011	Number of potential shares 2010
Options – 70 cents exercise price	-	4,750,000

18. DIVIDENDS PAID OR PROVIDED FOR

No dividends have been paid or provided for during the year.

19. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

There are no commitments for expenditure at 30 June 2011 (2010: nil). Refer to note 29(d) for a discussion around contingent liabilities.

20. LEASE COMMITMENTS

Operating leases

Leasing arrangements

The operating leases relate to the lease of an office in Beijing, China and an office in Perth, Australia. The current lease in Beijing is for a period of two years commencing 28 March 2009 and the lease in Perth is for a period of 1 year commencing 1 September 2011. The Consolidated Entity does not have an option to acquire the leased assets at the expiry of the lease period.

	2011 $	2010 $
Non-cancellable operating leases		
Not longer than 1 year	97,782	94,746
Longer than 1 year and not longer than 5 years	6,614	87,696
Longer than 5 years	-	-
	104,396	182,442

21. SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2011 %	Equity Holding 2010 %
Parent Entity				
Leyshon Resources Limited	Australia			
Controlled Entities				
China Metals Pty Ltd	Australia	Ordinary	100	100
Ikh Zuchi Resources LLC	Mongolia	Ordinary	100	100
South Gobi Coal Company Limited	Cayman Islands	Ordinary	100	100
Xinjiang Exploration & Development Ltd (1)	British Virgin Islands	Ordinary	100	-
Chang Xing Ltd (1)	British Virgin Islands	Ordinary	100	-
Trident Investment Ltd (1)	Hong Kong	Ordinary	100	-
Beijing North Asia Mining Management and Consulting Co., Ltd (1)	People's Republic of China	N/A	100	-

(1) Incorporated on behalf of Leyshon Resources Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

22. SEGMENT INFORMATION

As the Consolidated Entity has only one operating segment, all the necessary reporting disclosures are disclosed elsewhere in the notes to the financial statements.

23. RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 21 to the financial statements.

(b) Key management personnel compensation

The directors' and key management personnel of the Consolidated Entity during the year were as follows. Unless otherwise specified each person held their position for the full financial year.

- John WS Fletcher (Chairman)
- Paul C Atherley (Managing Director)
- Richard Seville (Non Executive Director)
- Andrew J Berry III (Non Executive Director)
- Peter Niu - Financial Controller, Leyshon Resources Limited
- Stacey Apostolou – Company Secretary
- Henry Tebar – Exploration Manager

The aggregate compensation made to key management personnel of the Company and the Group is set out below:

	2011 $	2010 $
Short-term employee benefits	1,073,441	1,455,873
Post-employment benefits	7,431	5,574
Termination benefits	-	-
Share-based payment	-	-
	1,080,872	1,461,447

Details of individual key management personnel compensation are disclosed in the Remuneration Report.

23. RELATED PARTY DISCLOSURES (cont'd)

(c) Key management personnel equity holdings

Fully paid ordinary shares of Leyshon Resources

	Balance at the start of the year	Purchases	Received on exercise of options	Other changes	Disposals	Balance at the end of the year
2011						
Mr Paul Atherley	29,530,000	-	-	-	-	29,530,000
Mr John Fletcher	2,316,324	-	-	-	-	2,316,324
Mr Richard Seville	750,000	-	-	-	-	750,000
Mr Andrew Berry III	-	-	-	-	-	-
Mr Peter Niu	28,026	-	-	-	-	28,026
Ms Stacey Apostolou	100,000	-	-	-	-	100,000
Mr Henry Tebar	-	-	-	-	-	-
2010						
Mr Paul Atherley	29,000,000	530,000	-	-	-	29,530,000
Mr John Fletcher	2,202,824	113,500	-	-	-	2,316,324
Mr Richard Seville	-	750,000	-	-	-	750,000
Mr Andrew Berry III	-	-	-	-	-	-
Mr Peter Niu	28,026	-	-	-	-	28,026
Ms Stacey Apostolou	100,000	-	-	-	-	100,000
Mr Henry Tebar	-	-	-	-	-	-

Options exercisable @ $0.70 each on or before 30 November 2010 or 30 June 2011 (as appropriate)

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2011							
Mr John Fletcher – 2010 Options	1,000,000	-	-	(1,000,000)	-	-	-
Mr Richard Seville - 2010 Options	1,000,000	-	-	(1,000,000)	-	-	-
Ms Stacey Apostolou – 2010 Options	2,000,000	-	-	(2,000,000)	-	-	-

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2010							
Mr John Fletcher – 2010 Options	1,000,000	-	-	-	1,000,000	-	1,000,000
Mr Richard Seville - 2010 Options	1,000,000	-	-	-	1,000,000	-	1,000,000
Ms Stacey Apostolou – 2010 Options	2,000,000	-	-	-	2,000,000	-	2,000,000

23. RELATED PARTY DISCLOSURES (cont'd)

Options exercisable @ $0.40 or $0.55 (as appropriate) each on or before 30 November 2009

	Balance at the start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
2011							
	-	-	-	-	-	-	-
2010							
Mr Vic McLaglen - $0.40 Options	550,000	-	-	(550,000)	-	-	-
Mr Vic McLaglen- $0.55 Options	550,000	-	-	(550,000)	-	-	-

(d) Other transactions with key management personnel (and their related parties) of Leyshon Resources

There were no other transactions with key management personnel (and their related parties) during the year (2010: Nil).

(e) Transactions with other related parties

Transactions between Leyshon and its subsidiaries

Inter-company Account
Leyshon provides working capital to its controlled entities. Transactions between Leyshon and other controlled entities in the wholly owned group during the financial year ended 30 June 2011 consisted of:

(i) Working capital advanced by Leyshon;
(ii) Working capital repaid to Leyshon; and

The above transactions were made interest free with no fixed terms for the repayment of principal on the working capital advanced by Leyshon.

At balance date amounts receivable from controlled entities totalled $731,134 (2010: $440,518).

(f) Parent entities

The parent entity in the consolidated entity and the ultimate parent entity is Leyshon Resources Limited.

24. SUBSEQUENT EVENTS AFTER BALANCE DATE

There were no significant events occurring after balance date requiring disclosure in the financial statements.

25. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2011 $	2010 $
Cash and cash equivalents	52,901,790	46,193,725

(b) Reconciliation of loss for the year to net cash provided (used) by operating activities

(Loss)/profit for the year	(779,984)	26,496,835
Depreciation and amortisation	13,794	13,046
(Decrease)/increase in provision for employee entitlements	(1,222)	18,660
Unrealised foreign exchange differences	13,933	283,646
Gain from sale of interest in Black Dragon Mining	-	(28,444,559)
Share based payment expense	-	-
(Increase)/decrease in trade and other receivables and other assets	406,877	(1,075,367)
(Decrease)/increase in payables	149,297	(99,897)
Net cash used by operating activities	(197,305)	(2,807,636)

(c) Non cash transactions

30 June 2011

During the financial year:

a) On 30 November 2010, 4,000,000 options with an exercise price of 70 cents expired.
b) On 30 June 2011, 750,000 options with an exercise price of 70 cents expired.
c) Grant of options – there were no options granted by the Company during the year.

30 June 2010

During the financial year:

a) On 30 November 2009, 700,000 options with an exercise price of 40 cents expired.
b) On 30 November 2009, 550,000 options with an exercise price of 55 cents expired.
c) Grant of options – there were no options granted by the Company during the year.

26. JOINTLY CONTROLLED ENTITY

The Group was not a venturer in any jointly controlled entities at 30 June 2011 (2010: nil),

27. FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Company's and Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring risk, and management of capital.

The Company and the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Credit risk

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counter-party.

27. FINANCIAL RISK MANAGEMENT (cont'd)

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other equivalents

As the Group operates primarily in exploration activities, it does not have trade receivable and therefore is not exposed to credit risk in relation to trade receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables (mainly relates to staff advances and security bonds) and investments. The management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2011 **$**	**2010** **$**
Loans and receivables	743,088	1,145,616
Cash and cash equivalents	52,901,790	46,193,725
	53,644,878	47,339,342

Impairment losses
None of the Groups' other receivables are past due (2010: Nil)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

As a result of the Company completing the sale of the Group's interests in Black Dragon Mining Company Limited, during the prior year, which held the Zheng Guang development project, an amount of more than A$34 million cash and cash equivalents was received. Accordingly it is unlikely that the Group will need to raise additional capital in the next 12 months to meet its currently known obligations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

27. FINANCIAL RISK MANAGEMENT (cont'd)

The following are the maturities of financial assets including estimated interest receipts and excluding the impact of netting agreements of the Group:

	2011 $	2010 $
Less than 6 months	53,644,878	47,339,342
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	53,644,878	47,339,342

The following are the maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Group:

	2011 $	2010 $
Less than 6 months	183,873	158,455
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	183,873	158,455

All financial liabilities of the Group and Company are non-interest bearing.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, whilst optimising the return. The Group manages market risk by ensuring it only holds short-term, predominantly fixed interest financial instruments with maturities of less than six months.

Currency Risk

The Group is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, which is primarily the Australian Dollar (AUD). The currencies in which these transactions primarily are denominated are USD, GBP, HKD and RMB.

The Group has not entered into any derivative financial instruments to hedge such transactions.

The Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

27. FINANCIAL RISK MANAGEMENT (cont'd)

Exposure to Currency Risk

The Group's exposure to foreign currency risk at balance date based on notional amounts was as follows:

	A$				
	RMB	USD	HKD	GBP	**Total**
30 June 2011					
Financial Assets					
Cash and cash equivalents	60,762	100,408	36,043	661	**197,874**
Financial Liabilities					
Amortised cost	(105,515)	-		-	**(105,515)**
Net balance sheet exposure	(44,753)	100,408	36,043	661	**92,359**
30 June 2010					
Financial Assets					
Cash and cash equivalents	43,159	120,563	-	1,162	**164,884**
Financial Liabilities					
Amortised cost	(39,314)	(9,800)	-	(3,360)	**(52,474)**
Net balance sheet exposure	3,845	110,763	-	(2,198)	**112,410**

Sensitivity analysis

A 20 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

30 June 2011	**Other Equity A$**	**Profit or loss A$**
RMB	-	(8,951)
USD	-	20,082
HKD	-	7,209
GBP	-	132
	-	18,472

30 June 2010	**Other Equity A$**	**Profit or loss A$**
RMB	-	769
USD	-	22,153
HKD	-	-
GBP	-	440
	-	22,482

27. FINANCIAL RISK MANAGEMENT (cont'd)

A 20 percent weakening of the Australian dollar against the above currencies at 30 June would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 90 day rolling periods.

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Interest Rate	Total
	%	$	$	$
2011				
Financial Assets				
Cash and cash equivalents	6.13%	52,901,790	-	52,901,790
Financial Liabilities				
Financial liabilities		-	-	-
		52,901,790	-	52,901,790
2010				
Financial Assets				
Cash and cash equivalents	6.03%	46,193,725	-	46,193,725
Financial Liabilities				
Financial liabilities		-	-	-
		46,193,725	-	46,193,725

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Other Equity A$	Profit or loss A$
30 June 2011		
Variable rate instruments	-	529,018
30 June 2010		
Variable rate instruments	-	461,937

27. FINANCIAL RISK MANAGEMENT (cont'd)

Commodity Price Risk

The Group is still operating primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are not yet subject to commodity price risk.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in Notes 14, 15 and 16 respectively.

28. SHARE BASED PAYMENTS

The Company does not have a formal employee share option plan, however the Board has from time to time granted shares or options to employees and officers on a discretionary basis as it is considered that this provides a cost-effective and efficient means of remunerating and incentivising employees. In addition, shareholders have in General Meeting approved the granting of all incentive options to Directors. The share based payment expenses have been recognised in respect of the fair value of shares or options granted as remuneration.

Valuation of Securities

30 June 2011

There were no share based payments or options granted by the Company during the year.

30 June 2010

There were no share based payments or options granted by the Company during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

29. PARENT ENTITY DISCLOSURES
Financial Statements

(a) Financial Position

	2011 $	2010 $
Assets		
Current assets	39,482,398	33,093,092
Non-current assets	9,992,105	9,700,989
Total assets	**49,474,503**	**42,794,081**
Liabilities		
Current liabilities	111,272	171,253
Total liabilities	**111,272**	**171,253**
Equity		
Issued capital	71,102,376	64,175,728
Retained losses	(21,739,145)	(22,926,073)
Employee benefits reserve	-	1,373,173
Total equity	**49,363,231**	**42,622,828**

(b) Financial performance

	2011 $	2010 $
Loss for the year	(186,239)	(1,224,550)
Other comprehensive income	-	-
Total comprehensive income	**(186,239)**	**(1,224,550)**

	2011 $	2010 $
(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries	**-**	**-**

(d) Contingent liabilities of the parent entity

Mount Leyshon Assets

As part of the restructure of the Company in November 2001 that saw the Company cease to be a subsidiary of Newmont Australia Limited (then Normandy Mining Limited) ("Newmont"), the Company and Newmont entered into a Management Agreement on 30 November 2001 in respect of the closure of the Mt Leyshon mine ("Management Agreement"). It was intended and agreed that Newmont would implement a mine closure plan and be responsible for all ongoing environmental obligations associated with the Mt Leyshon assets.

Pursuant to the terms of the Management Agreement, Newmont agreed to be responsible in perpetuity for the Company's rehabilitation obligations arising out of the Mt Leyshon mine site and has agreed to provide an indemnity to the Company in respect of all environmental obligations in relation to or as a result of mining activities at Mt Leyshon.

It is not considered that the Company carries any risk of any substantive liability for anything done or omitted to be done, at the Mt Leyshon mine site, prior to 2001.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

29. PARENT ENTITY DISCLOSURES (cont'd)

(d) Contingent liabilities of the parent entity (cont'd)

Prior to the restructure of the Company in November 2001, the Company had previously entered into Compensation Agreements with landholders part of whose lands were covered by the Company's mining leases at the Mt Leyshon mine site. The entry into Compensation Agreements with landholders is a statutory requirement for the holder of a mining lease in Queensland. Compensation had been paid in advance under each landholder Compensation Agreement. In each case advance compensation was only paid until 2002 or thereabouts on the basis that production from the Mt Leyshon mine site would have ceased. The Company has a continuing primary responsibility to the landholders under the Compensation Agreements whilst it remains the holder of mining leases in Queensland and Newmont continues to undertake rehabilitation activities.

The Company is seeking to reach a settlement under the Compensation Agreements to remove the necessity for ongoing payments into the future. At this stage, it is likely that the Company will reach settlement on one of the agreements for an amount in the expected range of $1 to $1.5 million over the next 18 months. Discussions in relation to the other agreement are ongoing.

	2011 $	2010 $
(e) Commitments for the acquisition of property, plant and equipment by the parent entity	-	-

Deloitte.

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Independent Auditor's Report to the members of Leyshon Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Leyshon Resources Limited, which comprises the statement of financial position as at 30 June 2011, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 15 to 52.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Leyshon Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Leyshon Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Leyshon Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 30 September 2011